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Arizona Solar Energy
Industries Association

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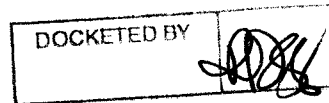
To: The Arizona Corporation Commission

Arizona Corporation Commission
DOCKETED

Date: November 18, 2010

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Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007



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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

RE: IN THE Matter OF THE APPLICATION FOR TUCSON ELECTRIC POWER
COMPANY FOR APPROVAL OF ITS RENEWABLE ENERGY STANDARD AND
TARIFF IMPLEMENTATION PLAN. (DOCKET NO. E-01933A-10-0266)

Dear Commissioners:

As a key stakeholder in Arizona's growing solar industry, AriSEIA's objective is to provide input that will contribute to a sustainable, predictable and stable environment that is conducive to the long term growth of solar in Arizona. Our members are comprised of the companies that manufacture and install solar equipment as well as provide services that support the solar industry and as such, are at the forefront of this movement, and in a unique position to provide valuable feedback for the development of sound and progressive policies.

AriSEIA appreciates the opportunity to provide comments relating to the above-mentioned docket in the following areas:

Recovery of Lost Fixed Revenue for DG Projects

We are opposed to the recovery of \$364,206 that is included in the TEP proposed budget. As noted in the staff report, the Commission has not ever granted lost net revenues as a result of the DG programs under the REST. Before any consideration is given to this concept, we would recommend that an extensive review of the benefits of DG programs to the utility is completed to determine if the net costs to the utility outweigh the net benefits of DG programs.

Davis Monthan Air Force Base Solar Project

As the solar utility solar programs mature in Arizona utility service territories, we are seeing very large projects take up a sizeable portion of the non-residential portion of the Renewable Energy Standard and Tariff (REST). The 15 MW Davis Monthan Air Force Base (DMAFB) solar project significantly impacts the distributed generation (DG) portion of the REST.

Although this project fits within the parameters of the REST as originally established, we encourage the commission to examine the impacts this will have on the market and explore possible policy options to maintain a vibrant DG marketplace not dominated by a few large installations.

We agree with the staff proposal (consistent with the Mayes Amendment in the "Bagdad Project") to place the same requirement on TEP that was placed on Arizona Public Service (APS) where the company will outline projects that have precluded due to this large project and request additional funding for those projects.

Funding Levels

Arizona is a renewable resource rich state with vast potential for creating a vibrant solar and clean technology industry, which, in turn, can drive economic growth for years to come. We applaud the Renewable Energy Standard and Tariff (REST) and its ability to set Arizona on a path toward such a goal. A mature and vibrant renewable energy industry; however, requires a steady and stable market. As seen in TEP's 5 year budget, the number of systems needing to be installed in 2013 will be 40% less than the year previous. This will lead to a severe contraction in the industry with subsequent job loss and warranty issues for consumers.

AriSEIA supports the concept of a fixed yearly budget for the residential distributed technologies. This funding mechanism will allow for continued growth in both the Thermal and PV sectors of the industry.

FEED-IN-TARIFF

After reviewing the proposed TEP Feed in Tariff Program, AriSEIA members believe that while a well-designed Feed-In-Tariff program can benefit the solar industry, the current proposal lacks the following elements:

- 1) FIT rate is too low to attract investors
- 2) Standard FIT contract must be developed with the input of all stakeholders, including those who are expected to invest in these projects
- 3) Taking funds for this program out of the DE portion of the RES budget will potentially shut out other DE projects.

Removal of Caps

AriSEIA supports the removal of the 50% residential (UFI) and 60% non-residential (PBI) cap. By extension, we do not support the staff proposal to lower the PBI cap to 50%. Competition and the continued cost reductions achieved by the industry have made the cap unnecessary.

De-rating Chart

AriSEIA appreciates the concept of reducing the incentive on systems whose orientation and tilt is not optimum for solar production. However, as we have commented in prior years, the TEP de-rating chart is complicated and cumbersome and should be replaced with a chart similar to that used by Arizona Public Service or a simpler version that adequately addresses performance issues related to orientation.

Additionally, the TEP Solar Hot Water System Azimuth Angle De-rating chart goes against good solar practice for solar thermal water heating. The chart indicates that 42% of the incentive would be paid for a system facing North, 54% for a system facing North East, and 77% for a system facing East.

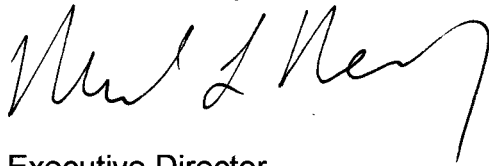
According to guidelines adopted for solar water heating, solar thermal collectors should be installed "no more than 30 degrees from due south". Rate payers who are granted an incentive for a system that will not operate efficiently are not served well. We urge the Commission to eliminate the solar thermal de-rating chart and insist that solar water heating systems are installed with the proper orientation.

Conclusion

AriSEIA appreciates the work that the Commission, utilities, and stakeholders have done to create programs under the Renewable Energy Standard and Tariff to create one of the most successful renewable energy standards in the nation, especially from a distributed generation point of view. Moving forward in these times of oversubscribed programs is the challenge to make the program as consumer friendly as possible and to insure that a maximum amount of program funds are available .

We believe that all stakeholders share on common goal, the development of sustainable solar distributed energy programs for Arizona's ratepayers. We look forward to working with all stakeholders to realize that goal.

Michael L. Neary

A handwritten signature in black ink, appearing to read "Michael L. Neary", written in a cursive style.

Executive Director

for

Lee Feliciano

President

Arizona Solar Energy Industries Association